

Government of the District of Columbia  
Office of the Chief Financial Officer



**Jeff DeWitt**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeff DeWitt  
Chief Financial Officer

**DATE:** November 13, 2014

**SUBJECT:** Fiscal Impact Statement – District of Columbia Soccer Stadium  
Development Act of 2014

**REFERENCE:** Bill 20-805, As Introduced

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**Conclusion**

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

Assuming that the project begins on January 1, 2015, the implementation of the bill will cost \$112.2 million in FY 2015 and \$169.5 million over the four-year financial plan period. This is the combined impact of the required capital expenditures (approximately \$102 million in FY 2015 and \$112.4 million over the financial plan period), operating expenditures (\$5.3 million in FY 2015 and \$34.3 million over the financial plan period), and tax abatements (\$4.9 million in FY 2015 and \$22.6 million over the financial plan period).

The bill makes available \$39.9 million in resources to support the District's required expenditures. Resources to support the rest of the District's required funding have not yet been identified.

The tax exemptions provided for in the bill are subject to their inclusion in an approved budget and financial plan.

**Background**

The bill provides the base structure of a public-private partnership for the construction of a soccer stadium for the D.C. United at Buzzard Point.<sup>1</sup> Under the terms of the bill, the District will provide the land and be responsible for the site preparation and the associated infrastructure work. D.C. United will be responsible for the construction of the Stadium.

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<sup>1</sup> The stadium will be built on Squares 603S, 605, 607, 611N, 661, partially on 665.

The agreements between all parties involved in the assembly for the land and the construction of the stadium include a land exchange agreement, a ground lease agreement, and a development agreement. The bill approves all three of these agreements.

The land exchange agreement is executed between the District and a number of different entities that own the lots on which the stadium would be built. The financial terms of these exchanges are outlined in the table below:

Parcel	Value Paid	Swap Property	Value Received	Due to/ (Due from)
Akridge SSL 0607 0013	(\$21.1)	Reeves Center	\$55.6	\$34.5
Pepco <sup>1</sup> SSL 0661 0804 SSL 0661 0805 SSL 0665 0024	(40.0)	1st & K St NW	15.8	(24.2)
Rollingwood <sup>2</sup> SSL 0605 0007	(10.5)	N/A	0	(5.6)
Super Salvage SSL 0605 0802	(17.1)	N/A	0	(17.1)
<b>TOTAL<sup>3</sup></b>	<b>(\$88.7)</b>		<b>\$71.4</b>	<b>\$12.4</b>

Table Notes

<sup>1</sup>Cost for turbine removal (\$1.0 million) reflected in site preparation estimate.

<sup>2</sup>DC United and Akridge contributions (\$2.4 million each) applied towards the cost of the Rollingwood parcel.

<sup>3</sup>Any difference between sum of the rows and total shown is due to rounding.

The development agreement and ground lease agreement are executed between the District and DC Stadium, LLC, the company owned by the D.C. United. The development agreement outlines how the District and DC Stadium, LLC will share the costs of construction. The District would be responsible for "horizontal development" which includes site preparation, environmental cleanup, and the installation of the necessary utility and transportation infrastructure. DC Stadium, LLC is responsible for the vertical construction of the stadium. The ground lease agreement outlines the terms under which DC Stadium, LLC will lease the soccer stadium land from the District. The agreement approves a 30-year ground lease for a nominal amount, with three options to extend the lease for five-years each.

Finally, the bill authorizes a number of tax abatements for the owner and operators of the soccer stadium. First, the bill abates<sup>2</sup> all sales and use taxes on entry fees (tickets, licenses) and the game day experience (food, drink, personal property) for five years and then at a rate of 50 percent of the sales tax for years six through ten. Beginning in year eleven, sales and use taxes are no longer abated. Second, the bill abates real property taxes fully for the first five years of the abatement term and then on a declining schedule for an additional fifteen years (75 percent abatement for years 6 to 10, 50 percent abatement for years 11 to 15 and 25 percent abatement for years 16 to 20), provided that a major league soccer team occupies the stadium. Third, the bill abates deed recordation taxes on all transfers of property at the soccer stadium site for the life of the ground lease.

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<sup>2</sup> The sales and use tax abatement begins with the first year of operation.

The bill also aligns the proposed soccer stadium with some of the operational rules in effect at other entertainment venues in the District, such as RFK Stadium and the Ballpark. These include authorizing MPD to establish a barrier around the stadium to control the movement of people, prohibiting individuals from bringing a disposable glass or metal container into the stadium,<sup>3</sup> prohibiting individuals from entering the field of play,<sup>4</sup> and authorizing access to a class A/C/X alcoholic beverage license for the stadium owner and operator.

### Financial Plan Impact

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill. Implementation of the bill and all the associated agreements will impose a number of capital, operating, and revenue reduction costs; and the resources made available by the bill are not sufficient to cover these costs.

First, the bill imposes ongoing operating costs on the District of \$5.3 million in FY 2015 and \$34.3 million over the four-year financial plan period. These costs include a three-year leaseback of the Reeves Center, lease payments at the Anacostia District office building, relocation of employees out of the Reeves Center, a one-time payment to the developer for workforce development, and ongoing security needs at the soccer stadium. The lease payments at the Anacostia office building and the stadium's security needs will continue beyond the financial plan period.

Second, the capital costs imposed by the bill will be \$102 million in FY 2015 and \$112.4 million over the four-year financial plan period. These costs include assembly of the stadium site land and site preparation, such as utility relocations, environmental remediation, and infrastructure upgrades.

Third, the bill authorizes a number of revenue reductions, which will reduce District revenues by \$4.9 million in FY 2015 and \$22.7 million over the four-year financial plan period. These include sales, real property, and deed recordation tax abatements, the waiver of permit fees, and the loss of revenues at the Reeves Center. The deed recordation tax abatement will also impact the Housing Production Trust Fund (\$778,000 over the financial plan period) since a portion of deed recordation taxes are dedicated to this fund.

Finally, the bill would generate some revenue to offset the total costs of the bill. \$39.4 million would be received from developers as a component of the land swap agreement. An additional \$530,000 would be received from FHWA as a match for the necessary improvements along 2<sup>nd</sup> Street, SW, which is a roadway eligible for federal funding. This is a total of \$39.9 million in FY 2015.

District of Columbia Soccer Stadium Development Act of 2014					
Fiscal Impact of Bill 20-808					
FY 2015 – FY 2018					
(\$000s)					
	FY 2015	FY 2016	FY 2017	FY 2018	Total
<b>(1) REVENUES</b>					
Receipts from Asset Sales	\$39,373	\$0	\$0	\$0	\$39,373

<sup>3</sup> Unless expressly authorized by the stadium owner or operator.

<sup>4</sup> Unless expressly authorized by the stadium owner or operator.

<b>District of Columbia Soccer Stadium Development Act of 2014</b> <b>Fiscal Impact of Bill 20-808</b> <b>FY 2015 – FY 2018</b> <b>(\$000s)</b>					
	FY 2015	FY 2016	FY 2017	FY 2018	Total
FHWA Project Match Funds <sup>a</sup>	\$530	\$0	\$0	\$0	\$530
<i>Revenue Subtotal</i>	<i>\$39,903</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$39,903</i>
<b>(2) GENERAL FUND EXPENDITURES</b>					
OPERATING EXPENDITURES					
Office Space Lease Obligations <sup>b</sup>	(\$5,296)	(\$7,099)	(\$7,149)	(\$9,249)	(\$28,793)
Other District Costs	\$0	\$0	(\$3,864)	(\$189)	(\$4,053)
Payments to Developers	\$0	(\$1,500)	\$0	\$0	(\$1,500)
<i>Operating Expenditure Subtotal</i>	<i>(\$5,296)</i>	<i>(\$8,599)</i>	<i>(\$11,013)</i>	<i>(\$9,438)</i>	<i>(\$34,346)</i>
CAPITAL EXPENDITURES					
Land Purchases	(\$51,849)	\$0	\$0	\$0	(\$51,849)
Site Preparation & Infrastructure	(\$50,141)	(\$5,344)	(\$5,096)	\$0	(\$60,581)
<i>Capital Expenditure Subtotal</i>	<i>(\$101,990)</i>	<i>(\$5,344)</i>	<i>(\$5,096)</i>	<i>\$0</i>	<i>(\$112,430)</i>
REVENUE REDUCTIONS					
Real Property Abatement <sup>b</sup>	(\$950)	(\$1,433)	(\$4,436)	(\$5,102)	(\$11,921)
Deed & Recordation Abatement	(\$2,372)	(\$2,018)	\$0	\$0	(\$4,390)
Sales Tax Abatement	\$0	\$0	(\$1,581)	(\$1,626)	(\$3,207)
Waiving of Permit Fees	(\$1,176)	\$0	\$0	(\$137)	(\$1,313)
Reeves Center Tenant Payments	\$0	\$0	\$0	(\$204)	(\$204)
Reeves Center Parking Garage	\$0	\$0	\$0	(\$889)	(\$889)
<i>Revenue Reductions Subtotal</i>	<i>(\$4,498)</i>	<i>(\$3,451)</i>	<i>(\$6,017)</i>	<i>(\$7,958)</i>	<i>(\$21,924)</i>
Total General Fund Expenditures	(\$111,784)	(\$17,394)	(\$22,126)	(\$17,396)	(\$168,700)
<b>(3) NET GENERAL FUND IMPACT (REVENUES – TOTAL GENERAL FUND EXPENDITURES)</b>					
<b>Net Fiscal Impact</b>	<b>(\$71,881)</b>	<b>(\$17,394)</b>	<b>(\$22,126)</b>	<b>(\$17,396)</b>	<b>(\$128,797)</b>
<b>(4) HOUSING PRODUCTION TRUST FUND REVENUE REDUCTION</b>					
<b>Deed &amp; Recordation Abatement</b>	<b>(\$420)</b>	<b>(\$358)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$778)</b>

## Table Notes

<sup>a</sup>Estimate that FHWA will cover 20 percent of the 2<sup>nd</sup> Street, SW infrastructure costs.<sup>b</sup>Assumes the rental payments and the tax abatement will begin on January 1, 2015.

The land swaps associated with the land exchange agreement are a significant component to the District acquiring the necessary parcels of land to build the soccer stadium, but assets are not considered a part of the District's budget and are therefore, not considered in the fiscal impact analysis.